



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ [WWW.DOF.CA.GOV](http://www.dof.ca.gov)

APR - 1 2006

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Various Budget Bill Items, Support and Local Assistance, Emergency
Medical Services Authority**

Hospital Bioterrorism Preparedness Program—Issue 001

It is requested that reimbursement authority in Item 4120-001-0001 be increased by \$2,088,000 and that reimbursement authority in Item 4120-101-0001 be decreased by \$1,888,000. This request, associated with the federal fiscal year 2006 Hospital Bioterrorism Preparedness Program (HBPP) grant, reflects:

1. The transfer of \$1,888,000 in reimbursement expenditure authority from local assistance to state operations; and
2. An increase of \$200,000 in HBPP funds from the Department of Health Services (DHS).

The expenditure of these funds in state operations will allow the Emergency Medical Services Authority to conduct activities specified in the interagency agreement with the DHS on a statewide basis, rather than at the local level. The activities include:

- Establishing a personnel registry of volunteer medical personnel that could be deployed during disaster events.
- Updating the command incident model. The model is used to establish the roles and responsibilities of emergency response entities statewide, for response to terrorist events and outpatient treatment of terrorism and disaster victims at the clinical level.
- The development of plans to treat children that are the victims of terrorism or disaster events.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Thomas Lutzenberger, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

Attachment

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review
Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Denise Moreno-Ducheny, Chair, Senate Budget and Fiscal Review
Subcommittee No. 3
Honorable Hector De La Torre, Chair, Assembly Budget Subcommittee No. 1
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Ms. Ana Matosantos, Assistant Secretary, Health and Human Services Agency
Mr. Richard Watson, Interim Director, Emergency Medical Services Authority
Mr. Daniel Smiley, Chief Deputy Director, Emergency Medical Services Authority
Ms. Shirley Tsagris, Manager, Administrative Services Division, Emergency Medical
Services Authority
Ms. Sandra Shewry, Director, Department of Health Services
Mr. Mark Hutchinson, Deputy Director, Administration, Department of Health Services
Mr. Marty Ewing, Acting Chief, Fiscal Management Branch, Department of Health Services



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**Amendment to Budget Bill Items 4140-001-0001 and 4140-001-0121, Support, Office of
Statewide Health Planning and Development**

Logbook Redesign Project (Issue 003)—It is requested that Item 4140-001-0121 be increased by \$223,000 to provide funding for planning and procurement activities related to the Logbook Redesign Project and that Item 4140-001-0001 be amended to reflect this change. The Office of Statewide Health Planning and Development (OSHPD) is responsible for performing the review of hospital and skilled nursing facility construction plans and monitoring construction to ensure the safety of California health facilities. The Logbook Database System is used by the Facilities Development Division (FDD) to track these health facility construction projects through the plan review and construction phases. Additionally, the Logbook Database System supports the tracking of facility compliance with seismic retrofit projects and facilitates emergency operations in the event of a natural disaster.

The current Logbook System is functional, but does not fully meet the FDD's business needs. Various technologies are currently being utilized to navigate the existing database, which has become cumbersome and difficult to manage due to obsolete technologies. Further, the system does not provide for time-saving enhancements such as remote access for field staff, multiple user document review, and the ability to accept electronic files containing building specifications and plans. The OSHPD proposes to replace the current system consisting of add-on modules and databases with a fully integrated system. All costs would be financed from the Hospital Building Fund, a special revenue fund supported by fees charged to health facilities for plan review and construction observation. There is a sufficient balance in the Hospital Building Fund to provide for the cost of the new system.

It is also requested that the following provisional language be added to Item 4140-001-0121. Of the amount appropriated in this item, the \$223,000 allocated for procurement activities of the Logbook Redesign Project shall not be expended until the Department of Finance approves a Feasibility Study Report submitted by the OSHPD for the project.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Tom Lutzenberger, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

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Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Ms. Terri Delgadillo, Deputy Secretary, Health and Human Services Agency
Dr. David Carlisle, Director, Office of Statewide Health Planning and Development
Mr. John W. Rosskopf, Acting Chief Deputy Director, Office of Statewide Health Planning and Development
Ms. Karen Miskanis, Budget Officer, Office of Statewide Health Planning and Development



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Honorable John Laird, Chair
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Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Various Budget Bill Items, Support and Local Assistance, California
Department of Aging**

Older Americans Act (OAA) Funding (Issue 001)—It is requested that Item 4170-001-0890 be increased by \$103,000 and that Item 4170-101-0890 be increased \$1,839,000 to expend additional federal Older Americans Act (OAA) funds. It is also requested that Items 4170-001-0001 and 4170-101-0001 be amended to reflect these changes.

The California Department of Aging (CDA) administers programs under the OAA, the CDA provides California seniors with a variety of services to meet their needs for nutritional, health, and supportive programs. In January 2005, the federal government augmented California's funding to support OAA programs, which include Congregate Nutrition, Home-Delivered Nutrition, Supportive Services and Senior Centers, Disease Prevention and Health Promotion, Family Caregiver Support, The Ombudsman Program and Elder Abuse Prevention.

The increase for state support is proposed to support administrative workload associated with OAA programs including travel, computer replacements, and software. The local assistance increase is proposed to be allocated to Area Agencies on Aging (AAA) to provide direct services to California seniors. The Federal Fiscal Year (FFY) 2005 grant covers portions of state fiscal years (SFY) 2004-05 and 2005-06. The annual grant award was issued in January 2005. The request would appropriate all the grant funds in SFY 2005-06 as there is not sufficient time to award and spend the 2004-05 portion of the grant before the end of the current fiscal year.

Health Insurance Counseling and Advocacy Program (HICAP) Funding (Issue 002)—It is requested that Items 4170-001-0890 and 4170-101-0890 be increased by \$283,000 and \$1,530,000, respectively, and that Items 4170-001-0001 and 4170-101-0001 be amended to reflect these changes. The state operations funds are requested to support the establishment of 3.0 new permanent positions; the local assistance funds will be allocated to the locals AAA.

The HICAP assists seniors and Medicare beneficiaries by providing information and advocacy on Medicare and supplementary coverage options through community education, individual counseling, and legal referral. The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA) becomes effective on January 1, 2006. It will change the prescription drug coverage available and, in doing so, will increase the amount of information seniors and Medicare beneficiaries need to review to make informed decisions about their medical coverage. The CDA's workload in the HICAP program will increase as a result of this change in

federal law. The workload will consist primarily of coordinating statewide efforts and supporting HICAP providers.

Adult Day Health Care (ADHC) Medi-Cal State Plan Amendment (Issue 003)—It is requested that Item 4170-001-0001 be increased by \$161,000 and that reimbursements be increased by \$239,000. This increase of \$400,000 is proposed to support the establishment of 2.0 two-year, limited-term positions that would begin on July 1, 2005 and 1.0 eighteen-month limited-term position that would begin on January 1, 2006. The positions would transition the current ADHC program from an optional Medi-Cal benefit to a benefit under the Medi-Cal State Plan's Rehabilitation Option. The reimbursements will be provided from the Department of Health Services (DHS). A corresponding request for an increase of \$70,000 for 1.0 two-year, limited-term position is requested for DHS (See DHS Issue 105).

The ADHC is a licensed, community-based day care program that provides health, therapeutic, and social services to those at risk of being placed in a nursing home. The primary objectives of the program are to promote capacity for self-care to elderly or disabled adults, and to delay or prevent institutionalization. The ADHC is an optional Medi-Cal program under California's Medi-Cal State Plan. The federal Centers for Medicare and Medicaid Services (CMS) have determined that the ADHC does not meet the requirements for a State Plan program and that an amendment is required to maintain Federal Financial Participation of approximately \$200 million annually.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Thomas Lutzenberger, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

Attachment

cc: On following page

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Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Ms. Sarah Steenhausen, Assistant Secretary, Health and Human Services Agency
Ms. Lora Connolly, Acting Director, California Department of Aging
Mr. Dale Kuroda, Budget Officer, California Department of Aging



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Senate Budget and Fiscal Review Committee

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Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Various Budget Bill Items, Support and Local Assistance, Department of Health Services—Medi-Cal Programs

Provider Enrollment Automation and Workload (Issue 101)—It is requested that Items 4260-001-0001 and 4260-001-0890 be increased by \$414,000 and \$1,240,000 respectively, to address a growing backlog in Medi-Cal provider enrollment. These funds will be used for 13 three-year limited-term positions and the development and implementation of an automated provider enrollment system (\$500,000). Prior to expenditure of the funds for the information technology project, the Department of Health Services (DHS) must receive approval of a feasibility study report (See issue #102 below).

The DHS currently has a six month backlog in processing provider applications. This proposal will allow the DHS to reduce the backlog by one month. While it is important to provide limited-term positions to address the current backlog, the Administration is committed to utilizing automation to make the process more efficient. Currently, a contractor is conducting a thorough business review of the provider application process. At this time, it has been determined that a web-based application process could be quickly implemented and would greatly improve the process.

Budget Bill Language Requiring Feasibility Study Reports for Information Technology Projects (Issue 102)—It is requested that language be added to Item 4260-001-0001 to require approved feasibility study reports (FSRs) for new information technology projects before any expenditures may be made on a project (Attachment A). The Governor's Budget contained several proposals that contained information technology components. Due to timing constraints, FSRs were not completed for these projects. The Administration supports the FSR process and proposes the attached language.

Adult Day Health Care State Plan Amendment (Issue 105)—It is requested that Items 4260-001-0001 and 4260-001-0890 each be increased by \$24,000 to administer the submission of the Adult Day Health Care (ADHC) State Plan Amendment (SPA). These funds would support one two-year limited-term position to facilitate the submission of the SPA. The requested position would provide the resources necessary to ensure that the SPA conforms to federal requirements and that the savings identified in the Governor's Budget will be realized (See corresponding issue # 003 in Item 4170-001-0001).

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Obtain Federal Participation for Adult Day Treatment and Transportation (Issue 107)—It is requested that Items 4260-001-0001 and 4260-001-0890 be increased by \$72,000 and \$73,000, respectively, to restructure the Intermediate Care Facilities for the Developmentally Disabled (IFC/DD) program under a SPA to allow the state to receive additional federal funds anticipated to be in the range of \$30.0 million to \$50.0 million. The funds would support 2.0 positions to be established on September 1, 2005.

Convert Limited-Term Positions to Permanent for the Long-Term Care Integration Program (Issue 109)—It is requested that Items 4260-001-0001 and 4260-001-0890 each be augmented by \$118,000 to support the Long-Term Care Integration (LTCI) program. The augmentation would be used to extend the term of three positions expiring June 30, 2005, by one additional year. Extending the term of the expiring positions by one year will allow the state to continue its progress in implementing LTCI pilot programs. The Administration is developing specific outcome measurements that will be used next year to determine if the positions should be extended past June 30, 2006.

Targeted Case Management Tribal Organizations (Issue 120)—It is requested that Item 4260-001-0001 be amended by increasing reimbursements by \$243,000 and it is requested that Item 4260-001-0890 be increased by \$244,000 to support nine positions to facilitate the collection of federal funds on behalf of Native American tribal organizations for allowable Medi-Cal Targeted Case Management services and Medi-Cal Administrative Activities. The positions will be established as justified by increased workload. This bill would implement Chapter 253, Statutes of 2003 (SB 308).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Bob Sands, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

Attachment

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Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Mr. David Topp, Assistant Secretary, Health and Human Services Agency
Ms. Sandra Shewry, Director, Department of Health Services
Mr. Mark Hutchinson, Deputy Director, Administration, Department of Health Services
Mr. Marty Ewing, Chief, Financial Management Branch, Department of Health Services

Attachment A

Proposed Budget Bill Language

Budget Bill Language Requiring Feasibility Study Reports for Information Technology Projects—Issue 102

Item 4260-001-0001:

6. Of the funds appropriated for new information technology projects, including but not limited to the provider enrollment automation project, no funds may be expended prior to approval of feasibility study reports by the Director of Finance.



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Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Proposed Amendments to Various Budget Bill Items,
Support, Department of Health Services - Public Health**

Proposition 50 Workload - Safe Drinking Water Projects—Issue 351

It is requested that Item 4260-001-6031 be increased by \$761,000 and Item 4260-001-0001 be amended to reflect this change. It is also requested that position authority be increased by 7.0 positions (two-year limited term) to perform application review and oversight and to provide technical assistance for Proposition 50 Safe Drinking Water projects.

Safe Drinking Water Capacity Development Augmentation—Issue 353

It is requested that Item 4260-001-0626 be increased by \$400,000 and Item 4260-001-0001 be amended to reflect this change. This augmentation will provide three contract positions for the Capacity Development Program to assist small water systems in meeting technical, managerial, and financial requirements necessary to become eligible for loans to correct water quality deficiencies.

Home Medical Device Retailer Facilities—Issue 356

It is requested that Item 4260-001-3018 be increased by \$1,167,000 and Item 4260-001-0001 be amended to reflect this change. It is also requested that position authority be increased by 11.0 positions to conduct licensing inspections and to administer the Home Medical Device Retailer Facility Program, which was established by Chapter 837, Statutes of 2000.

Clinical Laboratory Improvement Fund Workload Backlog—Issue 357

It is requested that Item 4260-001-0098 be increased by \$644,000 and Item 4260-001-0001 be amended to reflect this change. This augmentation would restore funding for 8.0 existing positions in the Laboratory Field Services section. In fiscal year 2003-04, funding for these positions was eliminated in order to maintain the solvency of the Clinical Laboratory Improvement Fund; the position authority was not eliminated at that time. These resources will permit the DHS to perform recently enacted licensing workload in the areas of phlebotomy certification, genetic scientist licensure, Medi-Cal contracting support, and medical laboratory technician licensure.

Medical Marijuana Identification Card Program Implementation—Issue 451

It is requested that Item 4260-001-3074 be increased by \$489,000 and Item 4260-001-0001 be amended to reflect this change. The funding would allow the Medical Marijuana Identification Card Program to contract for the production of identification cards, distribute identification cards to counties, and maintain its Web-based card verification system.

The effect of my requested action is reflected in the attachment.

If you have any questions or need additional information regarding this matter, please call Joseph Shinstock, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

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Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Mr. Michael Genest, Under Secretary, Health and Human Services Agency
Ms. Ana Matosantos, Assistant Secretary, Health and Human Services Agency
Mr. Mark Hutchinson, Deputy Director, Administration, Department of Health Services
Mr. Marty Ewing, Chief, Financial Management Branch, Department of Health Services

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Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 4300-101-0001, 4300-295-0001, Item 4300-490, Reappropriation, and Addition of Item 4300-101-0496, Local Assistance, Department of Developmental Services (DDS)

Regional Center Cost Containment, Consultant Services (Issue 004)—It is requested that Item 4300-490 be amended to reappropriate \$488,000 from Item 4300-101-0001, Budget Act of 2004. The 2004 Budget Act provided \$600,000 for the DDS to obtain consultant services for their rates standardization effort. In fiscal year (FY) 2004-05, the DDS began a multi-year project to:

1. Develop a rate-setting methodology for rates that are negotiated between regional centers and providers;
2. Improve consistency in the reporting of service delivery data; and
3. Automate the submission of vendor cost information.

It is requested that the unexpended balance of the FY 2004-05 funds, estimated to be \$488,000, be reappropriated for cost containment efforts in FY 2005-06. The reappropriated funds are for cost statement automation and information technology consulting for Day Programs, In-Home Respite, and Work Activity Programs as well as for research and education for Supported Living Services, the Standardized Rate Project, and Geographic Rate Consideration. Proposed Budget Bill language is attached. (Attachment I)

Regional Center Affordable Housing Projects, Consultant Services (Issue 005)—It is requested that Item 4300-490 be amended to reappropriate the unexpended balance, estimated to be \$200,000, from Item 4300-101-0496, Budget Act of 2004. The 2004 Budget Act provided \$300,000 from the Developmental Disabilities Services Account (DDSA) for allocation by the DDS. In FY 2004-05, the DDS used these funds to support the first year of multi-year contracts for local level training and technical assistance designed to expand the availability of affordable housing for persons with developmental disabilities. Creation of affordable housing is an objective pursuant to the 1994 court decision commonly referred to as the Coffelt Agreement. The proposed reappropriation of \$200,000 would be used to continue the affordable housing contracts in FY 2005-06. Proposed Budget Bill language is attached. (Attachment I)

It is also requested that Item 4300-101-0001 be decreased by \$69,000 and Item 4300-101-0496 be added in the amount of \$69,000 for the affordable housing contracts, and thereby reduce current General Fund costs for this purpose. This fund shift, combined with the above requested reappropriation, would provide a total of \$269,000 from the DDSA fund for continuation of the contracts. Proposed Budget Bill language is attached (Attachment II)

Guardianship/Conservatorship Filing Mandate (Issue 006)—It is requested that Item 4300-295-0001 be amended to add the Guardianship/Conservatorship Filings mandate (Chapter 1357, Statutes 1976) to show this mandate as suspended. It is also requested that provisional language be added to suspend the mandate for FY 2005-06. This mandate requires that the cost of court investigations for limited conservatorship hearings is reimbursable to counties. State Court Rule 810 guidelines subsequently defined the expenditures as allowable state court costs. Suspension of the mandate is needed until such time as the mandate is repealed. Proposed Budget Bill language is attached. (Attachment III)

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jody McCoy, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

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Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Ms. Peggy Collins, Office of Senator Chesbro
Ms. Eileen Cubanski, Assistant Secretary, Health and Human Services
Ms. Julie Jackson, Chief Deputy Director, Department of Developmental Services
Mr. Jose Ortiz, Deputy Director, Administration, Department of Developmental Services
Ms. Deborah Aldama, Manager, Fiscal Services Branch, Department of Developmental
Services
Ms. Jean Barawed, Chief, Budget Section, Department of Developmental Services

Attachment I

Proposed Budget Bill Language

"Item 4300-490 – Reappropriation, Department of Developmental Services.

Notwithstanding any other provision of law, as of June 30, 2005, the balances specified below of the appropriations provided in the following citations are reappropriated for the purposes specified and shall be available for encumbrances or expenditure until June 30, 2006, unless otherwise stated.

0001 - General Fund

(1) Item 4300-101-0001 ~~(1) 10.10.010 and (2) 10.10.020~~, Budget Act of 2004 (Ch 208, Stats. 2004) for the ~~Life Quality Assessment Interagency Agreement.~~

(1) \$488,000 appropriated in Regional Centers: Operations 10.10.010 for cost containment proposals including cost statement automation and information technology consulting for Day Programs, In-Home Respite, and Work Activity Programs as well as for research and education for Supported Living Services, the Standardized Rate Project, and Geographic Rate Consideration.

(2) Balance of Program 10.10.010 Regional Centers: Operations and 10.10.020 Regional Centers: Purchase of Services for the Life Quality Assessment Interagency Agreement.

0496- Developmental Disabilities Services Account

(1) Balance of Item 4300-101-0496, Budget Act of 2004 (Ch. 208, Stats. 2004)"

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Proposed Budget Bill Language

Item 4300-101-0496 – For Local Assistance, Department of
Developmental Services, for payment to Item 4300-
101-0001, payable from the Developmental Disabilities
Services Account 69,000

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Proposed Budget Bill Language

Item: 4300-295-0001

Insert under Schedule:

(5) 98.01.135.776.-Guardianship/
Conservatorship Filings (Ch 1357,
Stats. 1976) 0

Insert under Provisions:

3. Pursuant to Section 17581 of the Government Code, the mandates identified in the appropriation schedule of this item with an appropriation of \$0 and included in the language of this provision is specifically identified by the Legislature for suspension during the 2005-06 fiscal year:
(5) Guardianship/Conservatorship Filings (Ch. 1357, Stats. 1976)



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Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendments to Various Budget Bill Items, State Operations, Department of Mental Health, Department of Health Services, Department of Rehabilitation, Department of Alcohol and Drug Programs, Department of Education, and Department of Social Services

The Department of Finance (Finance) submits the following requests for the implementation of Proposition 63, the Mental Health Services Act (Act), which became effective January 1, 2005. This initiative established a state personal income tax surcharge of one percent on taxpayers with an annual taxable income of more than \$1.0 million. The funds from this surcharge are deposited into the new state Mental Health Services Fund (Fund), and will be used for state and county planning and implementation consistent with the Act's provisions. The Act provides for the expansion of mental health services and includes specific provisions related to education and training of the mental health workforce, development of innovative programs and integrated plans for prevention, intervention and system of care services, investment in capital facilities and technology needs, and enhanced oversight and accountability.

The estimated revenues in the Fund total \$254.0 million in fiscal year (FY) 2004-05 and \$683.0 million in FY 2005-06. While most of the revenues will be available to county mental health programs, the Act authorizes up to 5 percent of the revenues in the Fund annually for state administration. Funding available for state administration is projected to be \$12.7 million in FY 2004-05 and \$34.2 million in FY 2005-06.

State-level implementation will involve and require collaboration between multiple departments throughout state government that provide services to persons with mental illness or persons in need of prevention services. As the lead implementing state department, the Department of Mental Health (DMH) coordinated with other departments in the development of the requests included in this letter.

In Lieu Appropriation for State Support — Although the Act provides a continuous appropriation from the Fund for state and county expenditures, the Administration proposes to establish in-lieu appropriations for state administrative costs during the first several years of implementation while these efforts are still developing.

Department of Mental Health (Issue 104) — It is requested that Item 4440-001-3085 be added in the amount of \$14,624,000 and Item 4440-001-0001 be amended to reflect this change. It is also requested that position authority be increased by 109.0 positions, including 20.0 positions effective January 1, 2006. The positions include 55.0 permanent positions and 54.0 three-year limited-term positions. The requested resources will enable the DMH to provide leadership and oversight to county mental health departments in the development of education and training programs, capital facilities and technology, prevention and early intervention programs, and Children's System of Care and Adult and Older Adult System of Care programs, consistent with the Act's provisions. The request includes \$6,151,000 for contracts in a variety of areas including, but not limited to, the stakeholder input process, policy design, outreach and training, data support, and information technology support.

It is also requested that provisional language be added to Item 4440-001-3085 (Attachment 1) to provide an in-lieu appropriation for the DMH administrative costs. Further, provisional language is requested to allow the Director of Finance to increase funding in the item no sooner than 30 days after providing the specified legislative notification. This flexibility is necessary to accommodate additional DMH needs that may be identified as the department progresses in its planning efforts.

For the current year, the Administration approved the DMH plans to spend \$4,991,000 from the continuous appropriation for immediate planning and implementation efforts. This includes \$3,271,000 for various contracts. The Administration also approved the administrative establishment of 20.0 positions effective February 1, 2005, and an additional 31.0 positions effective April 1, 2005.

Department of Health Services (Issue 103) — It is requested that Item 4260-001-3085 be added in the amount of \$52,000, Item 4260-001-0890 be increased in the amount of \$53,000, and Item 4260-001-0001 be amended to reflect these changes. It is also requested that position authority be increased by 1.0 three-year limited-term position to review policy issues related to the provision of mental health services, develop regulations, resolve claiming and billing issues, and participate in the renewal of the Special Mental Health Waiver. This augmentation would enable the Department of Health Services (DHS) to build upon existing collaborative efforts with the DMH to ensure that the state maximizes the availability of federal funds relating to the provision of mental health services. It is also requested that provisional language be added to Item 4260-001-3085 (Attachment 2) to provide an in-lieu appropriation for the DHS administrative costs.

Department of Rehabilitation (Issue 001) — It is requested that Item 5160-001-3085 be added in the amount of \$195,000 and Item 5160-001-0001 be amended to reflect this change. It is also requested that position authority be increased by 2.0 two-year limited-term positions to expand mental health cooperative programs. This augmentation would enable the Department of Rehabilitation (DOR) to build upon existing collaborative efforts with the DMH to provide employment and independent living services to individuals with severe mental illnesses. It is also requested that provisional language be added to Item 5160-001-3085 (Attachment 3) to provide an in-lieu appropriation for the DOR administrative costs.

Department of Alcohol and Drug Programs (Proposition 63) (Issue 051) — It is requested that Item 4200-001-3085 be added in the amount of \$248,000 and Item 4200-001-0001 be amended to reflect this change. It is also requested that position authority be increased by 2.0 three-year limited-term positions to provide assistance to counties in the planning, implementation, and evaluation of co-occurring mental health and alcohol and other drug programs. This augmentation would enable the Department of Alcohol and Drug Programs (DADP) to build upon existing collaborative efforts with the DMH to provide statewide leadership and coordination of local efforts to implement services for those with co-occurring disorders. It is also requested that provisional language be added to Item 4200-001-3085 (Attachment 4) to provide an in-lieu appropriation for the DADP administrative costs.

Department of Education (Proposition 63) (Issue 053) — It is requested that Item 6110-001-3085 be added in the amount of \$633,000 and Item 6110-001-0001 be amended to reflect this change. It is also requested that position authority be increased by 3.0 three-year limited-term positions for the Department of Education (CDE) to develop and disseminate training for local education agencies to identify and provide appropriate response and support to students with severe mental illness. It is also requested that provisional language be added to Item 6110-001-3085 (Attachment 5) to provide an in-lieu appropriation for the CDE administrative costs.

Department of Social Services (Issue 099) — It is requested that Item 5180-001-3085 be added in the amount of \$515,000, Item 5180-001-0890 be increased in the amount of \$150,000, and Item 5180-001-0001 be amended to reflect these changes. It is also requested that position authority be increased by 4.0 two-year limited term positions to coordinate the implementation of county mental health programs across all relevant Department of Social Services (DSS) program areas. This augmentation would enable the DSS to collaborate with the DMH and other relevant agencies to expand programs that provide mental health prevention and treatment services to eligible children and adults, as required by the Act. It is also requested that provisional language be added to Item 5180-001-3085 (Attachment 6) to provide an in-lieu appropriation for the DSS administrative costs.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jody McCoy, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL
Director
By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER
Chief Deputy Director

Attachment

cc: On following pages

-4-

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
 Attention: Ms. Anne Maitland, Staff Director
 Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
 Attention: Mr. Jeff Bell, Staff Director
 Honorable Judy Chu, Chair, Assembly Appropriations Committee
 Attention: Mr. Geoff Long, Chief Consultant
 Honorable Rick Keene, Vice Chair, Assembly Budget Committee
 Attention: Mr. Peter Schaafsma, Staff Director
 Honorable Denise Moreno-Ducheny, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
 Honorable Hector De La Torre, Chair, Assembly Budget Subcommittee No. 1
 Honorable Jack Scott, Chair, Senate Budget and Fiscal Review Subcommittee No. 1
 Honorable Mervyn Dymally, Chair, Assembly Budget Subcommittee No. 2
 Ms. Elizabeth Hill, Legislative Analyst (4)
 Ms. Diane Cummins, Senate President pro Tempore's Office
 Mr. Craig Cornett, Assembly Speaker's Office (2)
 Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
 Ms. Peggy Collins, Senator Chesbro's Office
 Ms. Eileen Cubanski, Assistant Secretary, Health and Human Services Agency
 Mr. Scott R. Carney, Assistant Secretary, Health and Human Services Agency
 Mr. David Topp, Assistant Secretary, Health and Human Services Agency
 Dr. Stephen W. Mayberg, Director, Department of Mental Health
 Ms. Carol S. Hood, Deputy Director, Systems of Care, Department of Mental Health
 Ms. Terrie Tatosian, Deputy Director, Administrative Services, Department of Mental Health
 Ms. Fran Coletti, Chief, Financial Services, Department of Mental Health
 Ms. Sandra Shewry, Director, Department of Health Services
 Mr. Mark Hutchinson, Deputy Director, Administration, Department of Health Services
 Mr. Stan Rosenstein, Deputy Director, Medical Care Services, Department of Health Services
 Mr. John Eastman, Budget Section Chief, Department of Health Services
 Dr. Catherine Campisi, Director, Department of Rehabilitation
 Mr. Gary Kuwabara, Chief Deputy Director, Department of Rehabilitation
 Ms. Juney Lee, Deputy Director, Administration, Department of Rehabilitation
 Ms. Candace Gilmore, Chief, Budget and Contracts, Department of Rehabilitation
 Ms. Kathryn P. Jett, Director, Department of Alcohol and Drug Programs
 Mr. Thomas F. Powers, Chief Deputy Director, Department of Alcohol and Drug Programs
 Ms. Ann Horn, Deputy Director, Division of Administration, Department of Alcohol and Drug Programs
 Ms. Susan Lussier, Manager, Fiscal and Administrative Services Branch, Department of Alcohol and Drug Programs
 Mr. Tony Lee, Budget Officer, Department of Alcohol and Drug Programs
 Mr. Richard Riordan, Secretary for Education
 Mr. Erik Skinner, Office of the Secretary for Education
 Mr. Jack O'Connell, Superintendent of Public Instruction
 Mr. Gerald Shelton, Director, Fiscal and Administration Services, Department of Education
 Mr. Dennis Boyle, Director, Department of Social Services

Ms. Gloria Merk, Deputy Director, Administration Division, Department of Social Services
Ms. Kathy Farmer, Chief, Financial Management & Contracts Branch,
Department of Social Services
Ms. Lyn Vice, Chief, Budget Bureau, Department of Social Services

4440-001-3085—For Support of Department of Mental Health,
for payment, to Item 4440-001-0001, payable from the
Mental Health Services Fund

Provisions:

1. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for administration pursuant to Section 5892(d) of the Welfare and Institutions Code.
2. Notwithstanding any other provision of law, the Director of Finance may increase the funding provided in this item to further the implementation of the Mental Health Services Act. Any increase would occur no sooner than 30 days after written notification has been provided to the chairperson of the committee in each house of the Legislature that considers appropriations, the chairpersons of the committees, and the appropriate subcommittees, in each house that considers the State Budget, and the Chairperson of the Joint Legislative Budget Committee identifying the need for such increase and the expenditure plan for the additional funds.

Attachment 2

4260-001-3085—For Support of Department of Health Services,
for payment, to Item 4260-001-0001, payable from the
Mental Health Services Fund

Provisions:

1. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for administration pursuant to Section 5892(d) of the Welfare and Institutions Code.

Attachment 3

5160-001-3085—For Support of Department of Rehabilitation,
for payment, to Item 5160-001-0001, payable from the
Mental Health Services Fund

Provisions:

1. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for administration pursuant to Section 5892(d) of the Welfare and Institutions Code.

Attachment 4

APR -1 2005

4200-001-3085—For Support of Department of Alcohol and Drug Programs, for payment, to Item 4200-001-0001, payable from the Mental Health Services Fund

Provisions:

1. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for administration pursuant to Section 5892(d) of the Welfare and Institutions Code.

Attachment 5

6110-001-3085—For Support of Department of Education,
for payment, to Item 6110-001-0001, payable from the
Mental Health Services Fund

Provisions:

1. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for administration pursuant to Section 5892(d) of the Welfare and Institutions Code.
2. Of the funds appropriated in this item, \$633,000, for the sole purpose of funding 3.0 three-year limited-term positions and associated operating expenses and equipment costs related to the collaboration with the Department of Mental Health to implement requirements of the Mental Health Services Act (Proposition 63) of this amount, \$250,000 is one-time for contracting with mental health/educational trainers to develop, and deliver training to county and district school staff.

5180-001-3085—For Support of Department of Social Services,
for payment, to Item 5180-001-0001, payable from the
Mental Health Services Fund

Provisions:

1. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for administration pursuant to Section 5892(d) of the Welfare and Institutions Code.



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DDF.CA.GOV

APR - 1 2006

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendments to Various Budget Bill Items, State Operations and Local Assistance,
Department of Mental Health (DMH)**

Federal Projects for Assistance in Transition from Homelessness (PATH) (Issue 101) —

It is requested that Item 4440-101-0890 be increased by \$750,000 to reflect additional federal funds available from the PATH formula grant. These funds will be allocated to counties, based on the current Cigarette and Tobacco Surtax formula, to support a variety of services to the homeless.

Transfer General Fund for Mental Health Treatment Services of Department of Corrections (CDC) Inmates (Issue 102) — It is requested that Item 4440-011-0001 be increased by \$61,034,000 to reflect the permanent transfer of General Fund from the California Department of Corrections (CDC) to the Department of Mental Health (DMH) for mental health care and treatment services provided by the DMH to CDC inmates. These funds are currently reimbursed to the DMH for beds provided in the state hospitals and for the administration of the Inpatient Psychiatric Programs at Vacaville and Salinas Valley, as well as the proposed 50-bed CDC unit that will open at Coalinga State Hospital in September 2005. Transferring the General Fund to the DMH will reduce administrative coordination currently required between the two departments and provide the DMH with stable, up-front funding for these patients. Under the current process, the DMH has experienced cash flow problems due to late reimbursements from the CDC. A corresponding reduction is requested in General Fund for the CDC (see Issue 193, Item 5240-001-0001).

Federal Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant (Issue 103) — It is requested that Item 4440-101-0890 be increased by \$303,000 to reflect additional federal funds available from the SAMHSA Block Grant. These funds will be allocated to counties, based on the current Cigarette and Tobacco Surtax formula, to support county programs that serve adults with serious emotional illness and children with serious emotional disturbance.

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-2-

Implementation of Proposition 63, Mental Health Services Act — The DMH's request is included in a consolidated Finance Letter addressing statewide implementation of Proposition 63.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jody McCoy, Principal Program Budget Analyst, at (916) 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

Attachments

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Denise Moreno-Ducheny, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Hector De La Torre, Chair, Assembly Budget Subcommittee No. 1
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Ms. Peggy Collins, Senator Chesbro's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Ms. Eileen Cubanski, Assistant Secretary, Health and Human Services Agency
Dr. Stephen W. Mayberg, Director, Department of Mental Health
Ms. Carol S. Hood, Deputy Director, Systems of Care, Department of Mental Health
Ms. Terrie Tatosian, Deputy Director, Administrative Services, Department of Mental Health
Ms. Fran Coletti, Chief, Financial Services, Department of Mental Health

APR - 1 2006

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Various Budget Bill Items, Support, Department of Child Support Services

Transfer of the Child Support Full Collection Program from the Franchise Tax Board (FTB) to the Department of Child Support Services (DCSS) (Issue #001)—It is requested that Item 5175-001-0001 be increased by \$4,202,000, Item 5175-001-0890 be increased by \$8,158,000, Item 5175-002-0001 be increased by \$1,345,000, Item 5175-002-0890 be decreased by \$8,158,000. It is also requested that 168.5 positions be established at the DCSS. This request reflects the transfer of the Child Support Full Collection Program from the FTB to the DCSS consistent with Chapter 806, Statutes of 2004 (Steinberg).

The above request includes the transfer of \$8,158,000 in federal expenditure authority for contracts (Item 5175-002-0890) to DCSS' main support (Item 5175-001-0890) to provide for the federal share of costs for the transferred staff. Currently, the DCSS uses this expenditure authority to draw down the federal share of the Child Support Full Collection Program staff on the FTB's behalf.

Corresponding reductions are requested in FTB's Finance Letter (See Issue #002).

The Child Support Full Collection Program locates non-custodial parents who are delinquent in their child support payments and locates and intercepts the assets of these individuals. The purpose of this transfer is twofold:

1. To continue the consolidation of all child support program activities under DCSS leadership and management; and
2. To meet federal requirements for the California Child Support Automation System (CCSAS) project.

One of the federal requirements for certification of the CCSAS project is that the state has responsibility for the collection of all delinquent child support payments. This transfer would meet these two objectives by placing the Child Support Full Collection Program under the authority of the DCSS.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Thomas Lutzenberger, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

Attachment

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Denise Moreno-Ducheny, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Hector De La Torre, Chair, Assembly Budget Subcommittee No. 1
Honorable Joseph Dunn, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Rudy Bermúdez, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable S. Kimberly Belshé, Secretary, Health and Human Services Agency
Ms. Lorna Fong, Assistant Secretary, Health and Human Services Agency
Ms. Greta Wallace, Director, Department of Child Support Services
Mr. Carlos Ramos, Interim Chief Deputy Director, Department of Child Support Services
Ms. Olivia Cortez, Deputy Director, Administrative Services Division, Department of Child Support Services
Mr. Mark Hutchinson, Chief, Financial Services Branch, Department of Child Support Services
Mr. Gerald H. Goldberg, Executive Officer, Franchise Tax Board
Mr. Titus Toyama, Chief Fiscal Officer, Franchise Tax Board
Mr. Mark Shijo, Budget Officer, Franchise Tax Board

APR - 1 2000

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 5180-001-0001, 5180-001-0890, and Reimbursements, Support, Department of Social Services

It is requested that Item 5180-001-0001 for the Department of Social Services (DSS) be increased by \$4,950,000 (\$3,045,000 General Fund, \$185,000 Federal Trust Fund, and \$1,720,000 Reimbursements).

Items 5180-001-0001 and 5180-001-0890 and Reimbursements

Community Care Licensing Caseload Increase (Issue 090)—An increase of \$1,140,000 General Fund and 14.5 permanent positions (13.8 personnel years) is requested to address additional workload resulting from caseload growth in the Community Care Licensing Division (CCLD) to ensure that established health and safety standards are maintained by licensees of community care facilities. This request would provide the resources for the CCLD to effectively operate the licensing program and fulfill its mandated responsibility of protecting vulnerable clients in these facilities.

Child Welfare Services Statewide Oversight System (Issue 093)—An increase of \$370,000 (\$185,000 General Fund and \$185,000 Federal Trust Fund) and the establishment of 2.0 permanent positions and 2.0 two-year limited-term positions (3.8 personnel years) is requested to monitor county child welfare and probation departments to comply with the California Children and Family Services Review required pursuant to Chapter 678, Statutes of 2001 (AB 636). Under this proposal, state staff would work directly with the ten largest counties to conduct onsite monitoring, analysis, technical assistance, and evaluation of county performance. These resources are requested to maintain the necessary oversight to ensure county compliance with federal requirements, avoid federal fiscal sanctions, ensure the safety of children, and improve outcomes for children and families involved with Child Welfare Services agencies.

Medi-Cal Disability Workload (Issue 095)—An increase of \$3,440,000 (\$1,720,000 General Fund and \$1,720,000 Reimbursements) and 20.0 positions (19.0 personnel years) is requested for the Disability Evaluation-State program to process increased workload of Medi-Cal disability applications. The request also includes one-time funding for overtime to reduce the application backlog.

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The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Nick Buchen, Principal Program Budget Analyst, at 445-6423.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

Attachment

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review
Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Denise Moreno-Ducheny, Chair, Senate Budget and Fiscal Review
Subcommittee No. 3
Honorable Hector De La Torre, Chair, Assembly Budget Subcommittee No. 1
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Mr. Michael Genest, Undersecretary, Health and Human Services Agency
Mr. Scott R. Carney, Assistant Secretary, Health and Human Services Agency
Mr. Dennis Boyle, Director, Department of Social Services
Ms. Gloria Merk, Deputy Director, Administration Division, Department of Social Services
Ms. Kathy Farmer, Chief, Financial Management & Contracts Branch,
Department of Social Services
Ms. Lyn Vice, Chief, Budget Bureau, Department of Social Services

4FF - 1 2005

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Items 5180-101-0001 and 5180-101-0514 Local Assistance,
Department of Social Services, and Items 7100-001-0514 and 7100-001-0870, Support,
Employment Development Department**

It is requested that Items 7100-001-0514 and 5180-101-0001 be decreased by \$391,000, that Item 5180-101-0514 be increased by \$391,000 and that Item 7100-001-0870 be amended to reflect this change.

The 2004 Budget Act included Control Section 6.60, which provided for a survey of workers' compensation costs between 2003-04 and 2004-05. The Control Section required that savings up to \$4,430,000 be transferred to the General Fund and used in lieu of Employment Training Funds in the Department of Social Services' local assistance programs. Pursuant to this survey, approximately \$16.4 million in savings were identified and transferred to the General Fund for this purpose. This allowed for an equivalent augmentation to the Employment Training Panel for employment training contracts. All of these General Fund-neutral adjustments were proposed for 2005-06 and ongoing in the Governor's Budget.

The purpose of this request is to revise the total workers' compensation savings due primarily to overstated base year costs for the Department of Fair Employment and Housing (DFEH). A separate Finance Letter proposes the partial restoration of the savings allocated to the DFEH.

The adjustments proposed in this letter would increase the amount of Employment Training Funds used for the CalWORKs program by \$391,000 and decrease the General Fund appropriation for this purpose so that the net effect of all of the adjustments (including the DFEH restoration) remains General Fund-neutral. Replacement trailer bill language is also proposed (Attachment I) to reflect the updated amount of Employment Training Funds that may be used for local assistance activities in the Department of Social Services.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jennifer Osborn, Principal Program Budget Analyst, at 445-8913.

TOM CAMPBELL

Director

By:

/s/ Stephen W. Kessler

STEPHEN W. KESSLER

Chief Deputy Director

Attachment

cc: Honorable Carole Migden, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review
Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Gloria Romero, Chair, Senate Budget and Fiscal Review Subcommittee No. 5
Honorable Denise Moreno-Ducheny, Chair, Senate Budget and Fiscal Review
Subcommittee No. 3
Honorable Rudy Bermúdez, Chair, Assembly Budget Subcommittee No. 4
Honorable Hector De La Torre, Chair, Assembly Budget Subcommittee No. 1
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief of Staff, Assembly Republican Leader's Office
Honorable S. Kimberly Belshé, Secretary, Health and Human Services Agency
Honorable Victoria Bradshaw, Secretary, Labor and Workforce Development Agency
Ms. Ada Carrillo, Acting Director, Employment Training Panel
Mr. Dennis Boyle, Director, Department of Social Services
Mr. Frank Collins, Deputy Director, Administration Branch, Employment Development
Department
Ms. Gloria Merk, Deputy Director, Administration, Department of Social Services

ATTACHMENT I

Proposed Trailer Bill Language

Control Section 6.60 Adjustment: Employment Training Fund for CalWORKs

SEC. 1. Section 1611.5 of the Unemployment Insurance Code is amended to read:

1611.5. Notwithstanding Section 1611, the Legislature may appropriate from the Employment Training Fund ~~fifty-six million four hundred thirty-two~~ forty million four hundred ~~thirty~~ thousand dollars (\$56,432,000) (\$40,430,000) in the Budget Act of ~~2004~~ 2005 to fund the local assistance portion of welfare-to-work activities under the CalWORKs program, provided for pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, as administered by the State Department of Social Services.